

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 3/13/2012	(3) CONTACT/PHONE Tony Navarro, Planner III - (805) 781-5787	
(4) SUBJECT Submittal of a resolution to approve a request by Global Premier Development for the County to subordinate its affordable housing agreement to a U.S. Department of Housing and Urban Development Subordination Agreement and allow the refinance of the permanent loan for the development of the Cider Village Apartments in Nipomo.			
(5) RECOMMENDED ACTION It is recommended that the Board <ol style="list-style-type: none"> <li>1. Approve the resolution approving the Housing and Urban Development Subordination Agreement and instruct the Chairperson to sign; and</li> <li>2. Authorize the Director of the Department of Planning and Building to sign the HUD subordination agreement</li> </ol>			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. __) <input type="checkbox"/> Board Business (Time Est. <u>10 min.</u> )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)		(14) W-9 <input type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP  N/A	(16) BUSINESS IMPACT STATEMENT?  No	(17) AGENDA ITEM HISTORY  <input type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW  Reviewed by Leslie Brown			
(19) SUPERVISOR DISTRICT(S) District 4 -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Tony Navarro, Planner III - (805) 781-5787

VIA: Chuck Stevenson, Division Manager, Long Range Planning

DATE: March 13, 2012

SUBJECT: Submittal of a resolution to approve a request by Global Premier Development for the County to subordinate its affordable housing agreement to a U.S. Department of Housing and Urban Development Subordination Agreement and allow the refinance of the permanent loan for the development of the Cider Village Apartments in Nipomo.

## **RECOMMENDATION**

It is recommended that the Board

1. Approve the resolution approving the Housing and Urban Development Subordination Agreement and instruct the Chairperson to sign; and
2. Authorize the Director of the Department of Planning and Building to sign the HUD subordination agreement.

## **DISCUSSION**

### **Project Background**

In 2006, Global Premier Development Incorporated obtained a Conditional Use Permit (DRC2005-00011) for the development of Cider Village Apartments, a 40-unit affordable housing project at 764 Grande Street, in the community of Nipomo.

The project was awarded state and federal tax credits by the California Tax Credit Allocation Committee (TCAC) in 2005 and subsequently began the project's development in 2006. TCAC administers two low-income housing tax credit programs – a federal program and a state program that encourage private investment in rental housing for low- and lower-income families and individuals.

The tax credit programs have a number of project requirements, including that it must be rental housing, rents cannot exceed 30% of the imputed income, and initial incomes cannot exceed either 60% or 50% of the area median income, adjusted for household size. The program also provides for long term affordability. Under federal law, credit projects must remain affordable for at least 15 years; however, California's program generally requires maintaining affordability for 55 years.

### **Affordable Housing**

The Cider Village Apartments is 100% affordable and therefore qualified for the maximum density bonus allowed pursuant to Government Code Section 65915 of 35%. The Housing Element of the County General Plan includes incentives to encourage the development of housing affordable to very low income, low income and moderate-income households. Area standards allowed for a 13.5 units per acres, thus 40 units were developed on the 3-acre parcel.

Following the CUP approval, Board resolution number 2007-81 on March 6, 2007 approved the execution of an agreement between the County and the developer, Cider Village Associates, working with Global Premier Development as its general partner, to provide housing units for very low and lower income persons for a 55-year term. The agreement runs with the land pursuant to California Civil Code Section 1460 and 1468, and is binding under conveyance, transfer or sale of the property.

### **Subordination Request**

As part of the financing for the development of the Cider Village Apartments, Global Premier Development obtained a 20-year loan for the amount of approximately \$1.9 million at 7.18 percent to develop the property. Global Premier has the opportunity to obtain a 35-year U.S. Department of Housing and Urban Development (HUD) Federal Housing Administration (FHA) insured loan from Prudential Huntoon Paige at 3.85% for approximately \$2.8 million that will not appreciably affect the current monthly debt service payment, \$13,356 and \$13,453 respectively. The new loan will not lower the debt service but will pay the required closing costs and allow Global Premier Development to cash out approximately \$631,000 from the new loan. This action needs to occur before May 15, 2012 in order to lock in the rates offered to Global Premier Development. Subordination by the County needs to occur first.

To assure their loan, HUD requires TCAC and the County to subordinate to its loan (attached as Exhibit A to the resolution). Although there are no County funds invested in the development of the project, the subordination is required because of the recorded agreement on title to provide affordable housing and land-use conditions placed on the property.

The Department of Planning and Building contacted both HUD and TCAC staff regarding the loan and subordination. Both agencies are working on the new loan requirements as the loan request meets the HUD underwriting requirements.

HUD has strict underwriting requirements and provisions to protect the public's interest to maintain the affordability of the units. Should the property be in danger of foreclosure HUD would sell the FHA notes to another lender prior to foreclosure in order to keep the units affordable. TCAC has provisions to safeguard the 55-year affordable housing requirement term in case the property is in danger of foreclosure. For example, TCAC has a policy that would allow the increase of the rents to the maximum allowed for a household that earns up to 60% of area median income to help prevent a foreclosure.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

Staff consulted HUD and TCAC personnel directly involved with the subordination. Staff also consulted with County Counsel on the request by Global Premier Development.

### **FINANCIAL CONSIDERATIONS**

Not applicable.

### **RESULTS**

Approval of the subordination agreement will help Global Premier Development facilitate the refinancing of the permanent with a new FHA insured loan.

### **ATTACHMENTS**

1. A resolution approving the Housing and Urban Development Subordination Agreement and authorizing the Director of Planning and Building to sign.